



VOLUNTARY WHEAT PROGRAM 1971

SIGN-UP -- MARCH 2 TO APRIL 9

**COOPERATIVE EXTENSION SERVICE
THE OHIO STATE UNIVERSITY**

1971 VOLUNTARY WHEAT PROGRAM

by

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(Items marked ➡ are different from 1970 regulations)

➡ 1. What are the objectives of the 1971 Agricultural Act of 1970 for wheat?

The four basic objectives of the Agricultural Act of 1970 for wheat are:

(1) to give farmers more flexibility in making their farm operating decisions, (2) to protect farm income, (3) to keep agricultural production in line with anticipated needs, and (4) to put a greater reliance on the marketplace as the principal source of farm income.

➡ 2. How will these objectives be accomplished?

Methods to be used include: (1) a domestic wheat allotment which represents the equivalent of 43.3 percent of the 1970 farm allotment, (2) a set aside of 65 to 75 percent of the domestic allotment, (3) freedom to plant or not to plant wheat (failure to plant wheat on 90 percent of the domestic allotment or an authorized substitute may reduce allotments next year), (4) domestic marketing certificate payments, and (5) commodity loans for participants.

➡ 3. How long will the program remain in effect?

The Agricultural Act of 1970 will cover the next three crop years. This publication will cover provisions as they apply to the 1971 crop.

➡ 4. What major points should a farmer consider in deciding whether or not to participate?

Farmers will want to consider the following when making their decision:

a) size of domestic wheat acreage allotment, b) amount of required set aside, c) value of marketing certificates, d) loan rate, e) expected market price, f) expected yields, g) maintaining the conserving base for the farm, h) any advantage of substituting wheat to conserve the feed grain base, and i) personal values, etc.

➡ 5. What is the wheat carryover?

There was a 883 million bushel carryover July 1, 1970. The carryover July 1, 1971 maybe 690 million bushels.

➡ 6. What are the signup dates for the wheat program?

Signup will be March 1 through April 9, the same as the feed grain program signup at ASCS county offices.

7. Who may participate?

All producers who received a 1971 domestic wheat allotment.

*Prepared February 5, 1971. Changes in regulations may occur that might change some of the answers.

8. What is required for participation in the program?

Producers who have wheat allotments may participate in the 1971 voluntary wheat program by signing up for the program at the County ASCS office during the enrollment period, meet the set aside requirement, and maintain the conserving base acres.

9. What will participants receive?

Participants are eligible for price support loans on their entire wheat production and will receive domestic marketing certificates on the projected production which is based on the established farm yield and allotment. Non-participants are ineligible for these benefits.

10. What are marketing certificates?

Marketing certificates are the means by which payments are made to participating farmers. The amount of payment will be the difference between 100 percent of parity and the national average market price received by farmers during the first five months of the marketing year which begins on July 1, 1971.

11. What is the domestic wheat acreage allotment?

The domestic wheat allotment totals 19.7 million acres for the 1971 crop. This compares to a total national allotment of 45.5 million acres in 1970. The 1971 Ohio domestic wheat allotment will be 538,847 acres. The domestic wheat allotment is the acreage considered necessary to meet the domestic food needs and does not include wheat to be fed and wheat exported.

12. What is the penalty for overplanting the domestic farm wheat allotment?

There is no penalty for overplanting the domestic wheat allotment. After the required set aside requirement is met, any crop can be planted (except tobacco acreage in excess of the tobacco allotment) in any quantity the producer desires. All references to the wheat allotment refer to the domestic wheat allotment.

SUBSTITUTION

13. What is required to substitute wheat to protect the feed grain base in 1971?

Wheat acreage in excess of the allotment maybe used to prevent loss of the feed grain base.

Farmer A has a wheat allotment of 15 acres and has planted 35 acres of wheat. He will need to set aside 11.3 acres to conserving use to qualify for wheat payment. He may count 20 acres of wheat to protect his feed grain base.

14. Can corn or feed grains be substituted for wheat to prevent loss of the wheat allotment?

Yes, feed grains in excess of one-half of the total feed grain base may be used to prevent loss of the wheat allotment.

Farmer A has a corn (feed grain) base of 100 acres and a wheat allotment of 15 acres. He plants 65 acres to corn. He can use 50 acres to protect his feed grain base (50%) and 15 acres of corn to protect his wheat allotment.

15. Can I grow barley, oats, and rye to substitute for wheat?

No. Spring wheat, oats, rye and barley acreage cannot be used to prevent loss of the feed grain base or the wheat allotment.

COMPLIANCE

16. Does a farmer need to comply with both the wheat allotment and feed grain base to be eligible for wheat program benefits?

The two programs operate separately. There is no offsetting compliance requirement between feed grains and wheat. However, to substitute one for the other the set aside for both must be met, so a payment can be earned. Cross-compliance is required between the tobacco and wheat allotments.

17. Does a tenant operating a number of farms or a landlord owning a number of farms have to comply with all the wheat allotments on all the farms to participate in the program?

No, each farm is considered separately.

SET ASIDE

18. Must every farmer desiring to participate set aside acreage to conserving uses?

Yes, participants must set aside an acreage from 60 to 75 percent (announced later) of his 1971 wheat allotment to conserving uses. This acreage must be in addition to his conserving base acreage.

Farmer A with a 1971 allotment of 9 acres, must set aside from 5.4 to 6.75 acres but not more than 6.75 acres to be eligible for program benefits.

19. Can additional acreage be diverted to earn additional payments?

No, only the set aside acreage.

20. Can soybeans be used to protect the wheat allotment?

No, under present regulation, but this could be changed prior to signup time.

CONSERVING USES

21. What conserving uses are possible for the set aside acreage?

The ASCS committee approved conserving uses may vary from county to county, but they generally include: a) permanent-type cover of grasses and legumes, b) temporary cover of grasses or legumes, c) wildlife food habitat plantings, d) trees and shrubs for forestry purposes, and e) clean tillage (summer fallow).

22. Can the farm's conserving base acreage be harvested or grazed?

Yes, hay and perennial legume or grass seed may be harvested from the conserving base acreage or the acreage may be grazed. Note, however, that we are not talking about the wheat or feed grain acreage set aside to conserving uses-- rather only the farm's historic conserving base acreage.

23. May the wheat acreage set aside to conserving uses be harvested or grazed?

You cannot harvest any crop from land specifically designated as set aside to conserving uses during 1971. Grazing is prohibited between April 1 and September 1, 1971. Planting a fall crop is permitted at normal seeding time because it will be harvested in 1972.

24. Can I break out non cropland for cropland uses?

Yes, however the cropland broken out will represent an increase in the conserving base, as determined by the county committee.

PRICE SUPPORTS

25. What is the loan rate for the 1971 wheat crop?

The price support loan or purchase rate in the U.S. will average \$1.25 per bushel in 1971. In Ohio, it will vary by counties from about \$1.18 to \$1.26 per bushel for the 1971 crop.

26. What will be the "net farm price" of wheat placed under loan in "off-farm storage?"

The "net farm price" for wheat is the county loan rate minus the costs necessary to condition and handle the wheat for "off-farm storage." These costs are highly variable and farmers should check storage rates carefully. These charges are between farmers and warehousemen.

27. Can a farmer store the wheat for loan on his farm?

Yes, but the Food and Drug Act regulations must be met.

28. On how many bushels can I get a loan?

Participants complying with the regulations can receive a loan on the entire 1971 production. All wheat produced is eligible for loan if warehouse stored, 90 percent of production if farm stored.

29. At what price will CCC sell wheat?

The CCC sales price may not be less than 115 percent of the national average loan rate adjusted for grade, quality, location, and other factors. This means an average U.S. resale price of \$1.44 per bushel.

30. What will be the market price of the 1971 wheat crop?

This will depend upon 1971 production, carryover, domestic demand for food and feed, export demand, CCC selling policy, and the prospects for the 1971 corn crop. With a corn crop near 1970's production, the price of wheat may range from \$1.45 to \$1.55 at harvest time. A smaller corn crop would result in a somewhat higher price.

SUPPORT PAYMENTS

31. What is the value of marketing certificates?

The face value of domestic certificates will be set at the difference between 100 percent of parity and the national average market price received by farmers during the first five months of the marketing year (beginning on July 1, 1971) instead of the national average loan rate that has been used.

Example: If we assume a parity price of \$2.90 per bushel on July 1 (parity was \$2.82 on July 1, 1970) and an average market price of \$1.55, the value of the market certificate would be \$1.35 per bushel.

32. How many bushels are eligible for marketing certificates in 1971?

The production based on the domestic wheat allotment times the projected yield.

Farmer A with a domestic wheat allotment of 15 acres and a projected yield of 40 bushels he would receive a marketing certificate for 600 bushels.

33. What would be the value of the marketing certificates?

Using the examples in question 32 and assuming the certificate value next year is \$1.35 per bushel the total value would be calculated as follows:

Farmer A with 600 bushels projected wheat output would receive \$810.00 (600 bushels x \$1.35 per bushel = \$810.00)

34. If there is a crop failure, do I receive the marketing certificates and payment?

Yes, if all the requirements for participation are met. It is not necessary to harvest wheat. Certificates are based on the acres allotted and projected yields--not on bushels harvested. Be sure and check with the County ASCS office to have this type of coverage explained.

35. How will the marketing certificates be divided between landlords and tenants.

They will be divided in the same proportion as the wheat crop is shared, unless other divisions are approved by the County ASCS committee.

36. When will payment be made?

Preliminary payments will be made as soon as practicable after July 1, 1971. These will be equal to 75 percent of the estimate of the total payments to be made. The balance of the payment, if any, will be made after December 1. If the estimated preliminary payment is found to be too high, no refund by producers will be required.

37. Is there a limitation on payments?

Payments are limited to a maximum of \$55,000 per person. The limitation applies to certificate payments. It does not apply to loans or CCC purchases.

38. Should I participate in the 1971 Voluntary Wheat Program?

There are many factors to consider and no one answer can be given. The illustration considers non-participation, participation with comparable wheat acreage to the non-participant and minimum wheat acreage to protect the allotment. Substitution of wheat acreage for corn where Southern Corn Leaf blight is prevalent should also be considered.

Assumptions:

1. The 1971 wheat allotment is 15 acres.
2. The projected yield of 40 bushels per acre was established by the county ASCS.
3. Yields of 40 bushels of wheat per acre.
4. Market price is expected to be \$1.50 per bushel at harvest time.
5. The county support price for wheat will average \$1.25 per bushel.
6. The value of marketing certificates is estimated at \$1.35 per bushel.
7. Approved storage is available.
8. Soybean yields of 30 bushels per acre are expected.
9. The open market price of soybeans is estimated at \$2.50 per bushel (support price \$2.25).
10. Soybean acreage is decreased in one example and increased in the other with other crops except wheat remaining the same.

1971 LAND USE AND CROPPING PROGRAM (WITH AND WITHOUT PARTICIPATION) FOR
A 260-ACRE OHIO FARM

	Non-Participant	Participant	Participant	My
	(Acres)	Maximum Wheat (Acres)	Minimum Wheat (Acres)	Farm (Acres)
Corn	120.0	125.0	125.0	_____
Wheat	35.0	35.0	13.5 ^a /	_____
Soybeans	50.0 ^b /	38.7 ^b /	60.2 ^b /	_____
Hay (conserving base)	40.0	40.0	40.0	_____
Set aside to conserving use		11.3 ^c /	11.3 ^c /	_____
Building site, roads, etc.	10.0	10.0	10.0	_____
Total acres in farm	260.0	260.0	260.0	_____

PARTIAL BUDGET
(Includes only variable costs)

CASH RECEIPTS				
Corn (same acreage & yield)	Constant	Constant	Constant	
Wheat @ \$1.50/bu. ^d /	\$2,100.00 ^e /	\$2,100.00 ^e /	\$ 810.00 ^f /	_____
Marketing Certificates @ \$1.35/bu.	---	810.00 ^g /	810.00 ^g /	_____
Soybeans @ \$2.50/bu.	3,750.00 ^h /	2,902.50 ⁱ /	4,515.00 ^j /	_____
(A) Total Receipts	\$5,850.00	\$5,812.50	\$6,135.00	_____

PARTIAL BUDGET CONTINUED

CASH VARIABLE EXPENSES			
Corn (same acreage & yield)	Constant	Constant	Constant
Wheat:			
Fuel, Oil, repairs @ \$4.25/ac.	\$148.75	\$148.75	\$ 57.38
Fertilizer and lime @ \$12/ac.	420.00	420.00	162.00
Seed wheat @ \$4.00/ac.	140.00	140.00	54.00
Storage and Handling @ 10¢/bu.	140.00	140.00	54.00
Misc. expenses @ \$2.00/ac.	<u>70.00</u>	<u>70.00</u>	<u>27.00</u>
Subtotal	\$918.75	\$918.75	\$354.38
Soybeans:			
Fuel, Oil, repairs @ \$5.00/ac.	250.00	193.50	301.00
Fertilizer and lime @ \$6/ac.	300.00	232.20	361.20
Weed control @ \$4.00/ac.	200.00	154.80	240.80
Seed @ \$4.00/ac.	200.00	154.80	240.80
Storage and handling @ 10¢/bu.	150.00	116.10	180.60
Misc. expenses @ \$2.00/ac.	<u>100.00</u>	<u>77.40</u>	<u>120.40</u>
Subtotal	\$1,200.00	\$ 928.80	\$1,444.80
(B) Total Expenses	\$2,118.75	\$1,847.55	\$1,799.18
Cash Receipts Less Variable Expenses	\$3,731.25	\$3,964.95	\$4,335.82

- a/ Wheat acreage necessary to maintain allotment, 90 percent of the domestic allotment.
- b/ Soybean acreage is varied in this example to provide set aside acreage and differences in wheat acreage. Corn or some other crop could also have been used. Corn was held constant in this example.
- c/ Set aside of 11.3 acres, 75 percent of allotted 15 acres.
- d/ Straw may be included as a receipt if value exceeds the cost of harvesting.
- e/ 35 acres X 40 bu. = 1,400 bu. X \$1.50 per bu.
- f/ 13.5 acres X 40 bu. = 540 bu. X \$1.50 per bu.
- g/ 15.0 acres X 40 bu. = 600 bu. X \$1.35 per bu.
- h/ 50 acres X 30 bu. = 1,500 bu. X \$2.50 per bu.
- i/ 38.7 acres X 30 bu. = 1,161 bu. X \$2.50 per bu.
- j/ 60.2 acres X 30 bu. = 1,806 bu. X \$2.50 per bu.
- k/ If a cover crop must be established on set aside acres.

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